

BEFORE THE  
DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS  
INSURANCE ADMINISTRATION  
OF THE DISTRICT OF COLUMBIA

In the Matter of )  
Metropolitan Life Insurance Company ) Case No. C094-004  
("MetLife") )

SETTLEMENT STIPULATION AND CONSENT ORDER

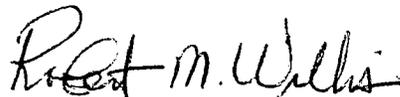
SETTLEMENT STIPULATION AND CONSENT ORDER BETWEEN DISTRICT OF COLUMBIA DEPARTMENT OF INSURANCE AND METLIFE:

1. The District of Columbia Department of Insurance has jurisdiction over MetLife as a licensed insurer under the laws of the District of Columbia.
2. Investigations and complaints have arisen in the District of Columbia and several states regarding the practice of MetLife agents selling whole life policies as retirement plans or savings plans from the Southeast Head Office ("SEHO") Sales Office and other MetLife sales offices. A significant element of this practice was targeting nurses and other professionals. The National Association of Insurance Commissioners (the NAIC) established a task force (the Task Force) to address this matter. The Task Force conducted investigative activities on behalf of the members of the NAIC.
3. Without admitting that its activities violated the laws of the District of Columbia and in the interest of fully and finally resolving and settling all issues relating to the District of Columbia's and the Task Force's investigations, MetLife agrees to enter into this Settlement Stipulation and Consent Order with the District of Columbia Department of Insurance. This Settlement Stipulation and Consent Order relates only to the activities described in paragraph 2, above.
4. It is therefore CONSENTED TO and ORDERED that:
  - (a) Restitution - MetLife will fund and institute a restitution plan (described in Attachment A and incorporated by reference herein). Under the Restitution Plan, MetLife will contact those whole life policyholders described in the Restitution Plan and offer them restitution in the form of a refund of premiums with interest or reformation of their whole life policy to an annuity from inception of the whole life policy, or allow them to keep their whole life policy if they choose.

- (b) Compliance - MetLife has presented to the Task Force an Enhanced Compliance Program (described in Attachment B and incorporated by reference herein) which definitively establishes the commitment of MetLife to appropriate sales practices, and procedures and accountability for assuring compliance.
  - (c) Penalty - MetLife shall pay to the District of Columbia Department of Insurance an administrative penalty in the amount of \$44,364, made payable to the District of Columbia Treasurer, which takes into account the Restitution and Compliance programs described herein, and is in addition to all restitution made.
5. MetLife and the District of Columbia Department of Insurance agree that the terms for resolution of all issues raised herein are as specified in this Settlement Stipulation and Consent Order.
  6. This Settlement Stipulation and Consent Order shall have no effect as to the rights or claims of any individuals except the District of Columbia Department of Insurance and MetLife. This Settlement Stipulation and Consent Order shall not affect the ability of the District of Columbia Department of Insurance to investigate acts and practices of any licensed MetLife agent or to take any appropriate enforcement action against such agent warranted by such investigation.
  7. This Settlement Stipulation and Consent Order shall not preclude the District of Columbia Department of Insurance from assisting a District of Columbia MetLife policyholder who is not in the group of policyholders contacted by MetLife pursuant to the Restitution Plan, but who claims to have been misled by the activities identified in paragraph 2, above.

DONE and ORDERED this 1st day of July, 1994:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of this Commission which renders this ORDER effective this \_\_\_\_\_ day of \_\_\_\_\_ 1994.



ROBERT M. WILLIS  
 COMMISSIONER OF INSURANCE

Consented to:

*J. A. ...* VICE PRESIDENT  
 Metropolitan Life Insurance Company

Attachment A  
April 1994  
METROPOLITAN LIFE INSURANCE COMPANY

RESTITUTION PROPOSAL

The principal features of MetLife's restitution plan include:

MetLife will provide notice to a broad group of policyholders that will include all those likely to have received challenged literature (which relates to sales of life insurance as a retirement or savings "plan" or program without identification of the product as life insurance). The group to be contacted will be defined by:

Policyholders, including lapsed policy-holders, who bought whole life policies on an "even premium" (i.e., premium ending in 0 or 5 and odd face amount) basis (frequently reflecting a purchase focused more on accumulation than on the death benefit).

From (i) any MetLife agent who had 25% or more even premium sales (as a percentage of the agent's whole life sales) during any year 1990-1993 (excluding agents who did not sell more than 4 even premium whole life policies in any year during the restitution period and agents who sold fewer than 10 whole life policies during the entire period) or (ii) offices that had 15% or more even premium sales (as a percentage of the office's whole life sales) during any year 1990-1993 or (iii) specific agents or, where appropriate, offices identified through a survey of all MetLife sales offices and a review of literature from the field as having used retirement or savings plan sales literature for whole life policies that does not identify the product offered for sale.

The group to be contacted will consist of policyholders who purchased during the period January 1, 1990 through October 31, 1993.

With the exception of policyholders who bought whole life policies as conversions from term or group life policies, or with face amounts of \$1 million or more.

The notice will offer to those policyholders identified in accordance with the procedures described above and who complete the claim form described below the option of a refund of all premiums paid plus interest (at MetLife's annuity rates) or an annuity funded in the amount of such a refund (premiums paid plus interest).

To make a claim, a policyholder (or lapsed policyholder) will be required to submit a claim form within 45 days from the notice that (i) states that the policyholder was actually misled in connection with the purchase of the policy, (ii) describes the misrepresentation alleged and, if possible, identifies any misleading literature used and provides a copy of such literature if available, (iii) is signed and notarized, and (iv) may release MetLife from any claims in connection with the policy.

If possible, the refund program will be combined with settlement of class action litigation against MetLife. In that event, the refund offer and notice to policyholders may be subject to review and revision by the United States District Court.

MetLife is in the process of identifying policyholders in each state who will receive notice of the restitution proposal. MetLife previously made available to each state through the Florida Department of Insurance a preliminary list of such policyholders and will make available to the states a final list upon completion. Additionally, individuals who do not receive notice of the restitution offer but who assert during the pendency of the restitution program that they purchased a whole life policy based on misrepresentation of the policy as a retirement or savings plan will be offered restitution on the same terms as those receiving notice.

Attachment B  
April 1994  
METROPOLITAN LIFE INSURANCE COMPANY

### MetLife's Enhanced Compliance Program

MetLife is proud of its reputation for honesty, integrity and fair dealing. The company's 125-year tradition of integrity has been critical to its success and will continue to be the basis on which it does business in the future.

To maintain the trust of its customers and to ensure that all legal and regulatory requirements are met, MetLife has embarked on a comprehensive review and strengthening of its compliance structures and programs across all business units and product lines throughout the company. MetLife is committed to devoting whatever resources are necessary to achieve an effective ethics and compliance program that will protect its policyowners and detect and deter potential problems. MetLife's Enhanced Ethics and Compliance Program will be designed and implemented to meet the goals of effective training, education, communication, supervision, auditing, discipline, and accountability.

### Accountability and Organization

The Enhanced Compliance Program creates new and expanded organizational structures to ensure that compliance programs are effectively developed, implemented, communicated and monitored.

The Corporate Ethics and Compliance Department, operating under the direction of the Chief Compliance Officer, will be responsible for developing, documenting, communicating and administering enhanced corporate compliance programs; approving each business unit's enhanced compliance program; monitoring compliance throughout the company; auditing Personal Insurance sales offices regarding compliance issues; and following up to ensure any deficiencies are timely corrected. The Chief Compliance Officer will report directly to the Chairman and Chief Executive Officer on compliance issues, will report significant compliance issues to the Business Standards Committee (described below), and will report periodically to the Audit Committee of the Board. Pursuant to its audit function, the Corporate Ethics and Compliance Department will conduct onsite compliance inspections of all sales offices at least annually and will conduct periodic compliance meetings with employees. The Corporate Ethics and Compliance Department will report compliance deficiencies to senior management and follow up to determine whether corrective actions have been implemented.

Each business unit within the company (e.g., Personal Insurance, Group Insurance) will designate an Ethics and Compliance Officer

("ECO") who shall be at least a vice president and who will report both to the company's Chief Compliance Officer and to the senior company officer responsible for that line of business. The Ethics and Compliance Officer and his or her staff will be accountable for overseeing the process of developing, documenting, communicating and administering compliance programs in that unit.

The Business Standards Committee, comprised of members of the Corporate Management Office (the company's top officers), will monitor and resolve significant control, audit and compliance issues. The Committee will receive and follow up on reports from senior management, the Chief Compliance Officer, the Corporate Controller and the General Auditor.

The Corporate Customer Relations Department, which reports to the President and Chief Operating Officer, will be responsible for ensuring appropriate and timely responses to customer and regulatory complaints, developing systems to generate enhanced reports on complaints, detecting patterns or instances of noncompliance, and reporting any such patterns to the Chief Compliance Officer and senior management of the relevant business unit.

In addition to their existing responsibilities, the Law Department and Auditing Department will be responsible for reporting compliance issues that come to their attention to the Corporate Ethics and Compliance Department.

#### Personal Insurance Enhanced Compliance Program

Because MetLife's personal life insurance sales force operates under the supervision of the Personal Insurance Department, the company has made the development and implementation of Personal Insurance ethics and compliance programs its highest priority.

Donald Stadler, an experienced vice president with a reputation for integrity, is the new Ethics and Compliance Officer for Personal Insurance. He will be assisted by a staff of 20-25 employees. Mr. Stadler and his staff will be responsible for

overseeing the process of developing, documenting, monitoring and administering Personal Insurance's enhanced ethics and compliance program and communicating it to sales management, sales representatives and other employees. The enhanced program will be communicated through distribution of documents and through territorial, regional and branch conferences and meetings; in addition, the enhanced program will be integrated into all Personal Insurance training courses. The program will be monitored to detect noncompliance and to assure appropriate and consistent disciplinary practices and timely reporting of compliance activities. Work has already begun to analyze the effectiveness of existing policies and procedures and to formulate enhanced policies and procedures to assure that ethics and compliance problems do not arise in the future.

In conjunction with the Corporate Ethics and Compliance Department and the Law Department, Personal Insurance has conducted sales practices training programs around the country during the past two months. Substantial work has also begun in the following areas:

#### Sales Material

A unit ("Sales Marketing Unit") will be established in Personal Insurance responsible for the development or review of all standard sales material and for ensuring Law Department approval of all such material. All members of the unit will attend a training course conducted by the Law Department to ensure familiarity with applicable laws and regulations.

Company policy will discourage sales representatives from developing customized sales materials. No customized materials may generally be used unless they are approved by each of the following: branch manager, regional and/or territorial unit, Sales Marketing Unit and the Law Department.

The longstanding requirement that all sales material and all product or company training material be reviewed and approved by the Law Department will be reinforced and communicated frequently to all employees and sales representatives through education and training courses, periodic reminders and certifications.

All approved sales and training material will bear a Law Department control number and will have an automatic expiration date, beyond which it cannot be used or printed without further Law Department approval.

After a brief transition period, no sales or training material may be printed, distributed, stored in a warehouse, or otherwise used unless it contains a current Law Department control number.

In addition to maintaining an advertising file of all approved sales and training material, the Law Department will maintain a record of all such material, including the control number, the name or a description of the material, the unit or person to whom approval was given, the date of approval, the name of the lawyer giving approval, and other information.

#### Training: Management

All personnel engaged in training must attend annual training sessions which place appropriate emphasis on ethics and compliance issues.

At least once annually, every person in sales management will attend a training session which places appropriate emphasis on ethics and compliance issues.

Every person in sales management will receive special training with respect to any enhanced policies and procedures which are implemented.

#### Training: Sales Representatives

All sales representatives are required to attend, at least annually, a continuing education course on ethics and compliance issues.

All training material and manuals will be reviewed and revised to ensure more effective communication of compliance policies and procedures.

All training material, regardless of the medium, must be reviewed and approved by the Law Department prior to use.

#### Promotion and Recognition

No person in sales or sales management will be promoted unless the person has a favorable compliance history, including review of any audit deficiencies, policyowner and regulatory complaints, litigation, and disciplinary actions.

Similarly, no person will receive official sales or sales management recognition (e.g., President's Conference or Managers' Hall of Fame) unless the person has a favorable compliance history.

#### Recruiting

Personal Insurance will phase in a requirement of NASD licensing for all individuals within their first year of employment. NASD licensing applications will be required prior to appointment.

#### Monitoring

Every branch manager will conduct and document semi-annual reviews, for compliance purposes, of each sales representative's sales methodology.

An enhanced computer information system has been developed to monitor sales activities and compliance at the sales representative, branch office, and regional levels.

As noted above, the Corporate Ethics and Compliance Department will conduct annual onsite compliance audits of all branch offices. These audits will be in addition to, not replacements for, audits conducted by the Audit Department.

In the coming months, Personal Insurance will continue to identify and implement policies and procedures designed to improve the prevention and detection of non-compliance, the monitoring and auditing processes, ethics training, and discipline.

**Reporting**

Metlife will prepare a written report by January 15, 1995, detailing the status of the implementation and structuring of the Enhanced Compliance Program as of December 31, 1994. This report will be made available upon request to any state participating in the global settlement.